

HOUSING AUTHORITY OF THE CITY OF TACOMA
DBA TACOMA HOUSING AUTHORITY
Pierce County, Washington
July 1, 1994 Through June 30, 1995

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified

Our audit of the financial records of the Tacoma Housing Authority revealed that at least \$27,207.62 in public funds was misappropriated by a contract property manager employee during the period August 1, 1995, through October 31, 1995. Accounting records were falsified in an attempt to conceal these losses. There were no federal funds involved in this case.

The housing authority contracts with a property management firm to manage some of its rental units. In October 1995, the contractor became suspicious of an employee who attempted to fake her death. The employee's employment was immediately terminated. A subsequent review of the contractor's records detected rent receipting irregularities. The housing authority immediately notified the Office of State Auditor of these irregularities and began an investigation of this matter with our assistance. This investigation revealed that the contractor's employee misappropriated public funds and falsified accounting records during the period of her employment. The contractor immediately notified their insurance bonding company and the Tacoma Police Department of this loss of funds. We reviewed the work performed by the contractor to reconstruct their accounting records and agree with their findings and conclusions. These funds were misappropriated as described below.

A contractor's employee rented vacant housing units to individuals for cash without recording the cash collection transaction in the accounting records or reporting the unit as occupied. The employee circumvented internal control policies and procedures to conceal these activities.

RCW 42.20.070 states:

Misappropriation and falsification of accounts by public officer.

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her, or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account, or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than 15 years.

We recommend the Tacoma Housing Authority seek recovery of the misappropriated \$27,207.62 from the property management contractor. We further recommend the Washington State Office of the Attorney General and the Pierce County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.